

JAIMINI HEALTH, INC.

Notes to Financial Statements December 31, 2003

(1) Organization and Summary of Significant Accounting Policies

Background

Jaimini Health, Inc. dba Healthdent of California, a California Corporation (the Company), provides prepaid dental plans throughout California for employer groups and individuals. The Company enters into contractual agreements with various private dentists to provide services to its members.

In October 2001 the Company acquired the subscriber contracts and provider's contracts of Primecare Dental Plan, Inc., a prepaid dental plan provider in Southern California with certain terms and conditions.

Revenue and Cost Recognition

Prepaid premiums received from dental plan members are initially recorded as unearned revenue and subsequently recognized as income using the straight-line method over the term of the dental plan's coverage.

Capitations paid to dentists are recorded as prepaid expenses and amortized over the term of the policy on a straight-line basis.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed over estimated useful lives of three to thirty-nine and a half years. Intangible assets are amortized over a fifteen year period. Upon sale or retirement of property and equipment, the accounts are relieved of the cost and related depreciation, and any resulting gain or loss is included in other income and expenses.

Cash and Cash Equivalents

Short term investments purchased with a maturity of three months or less are considered to be cash equivalents.

Restricted Cash

Restricted cash consists of a savings account required under the provisions of California Regulations to be assigned to the Commissioner of Corporations. The funds in this account cannot be used for operating activities.

Income Taxes

The Company elected Subchapter S treatment pursuant to the Internal Revenue Code of 1986. As a Subchapter S Corporation, all federal income taxes are payable personally by the stockholder. Accordingly, no provision has been made for federal income taxes for the period ended December 31, 2003. The California tax rate for Subchapter S Corporations is 1.5% with a minimum payment of \$800.

(2) Property & Equipment

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A summary of Property & Equipment is as follows:

Furniture and Fixtures	\$ 19,707
Computer Equipment and Software	137,096
Land, Building and Improvements	<u>1,460,000</u>
Total Cost	1,616,803
Less: Accumulated Depreciation and Amortization	<u>(92,558)</u>
Total	<u>\$ 1,524,245</u>

(3) Intangible Assets

Intangible assets consist of the Knox-Keene health care service plan license and the subscriber contracts acquired in January 2001. Intangible assets by type, along with accumulated amortization, are as follows at December 31, 2003.

Knox-Keene health care service plan license	\$ 400,000
Subscriber Contracts	<u>145,000</u>
Total Cost	545,000
Less: Accumulated Amortization	<u>(103,701)</u>
Total	<u>\$ 441,299</u>

(4) Deferred Revenue

Deferred Revenue consists of the following as of December 31, 2003:

Dental Plan Premiums	<u>\$ 194,310</u>
Total Deferred Revenue	<u>\$ 194,310</u>

(5) Note Payable to Stockholder - Subordinated

The Company has a note payable to its stockholder of \$567,121. The note is due on demand; however, it is subordinate to all present and future creditors of the Company. Furthermore, the Company is not obligated to pay the principal to the stockholder if such payment would cause the Company to not have the required tangible net equity, as defined in and calculated under the Knox-Keene Act. In the event of a liquidation of the Company, payment of the note is subordinate to payment to other creditors.